

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
To Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design.

(U 39 M)

Application 04-06-024
(Filed June 17, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING
ON REVISED SCHEDULE PLUS LIMITED ISSUES AND QUESTIONS**

Revisions to the schedule were made at the May 17, 2005 prehearing conference (PHC), and discussed at the hearing on May 23, 2005. The specific changes involve dates up to June 6, 2005. Further, the May 13, 2005 Settlement includes a date for service of a comparison exhibit. A revised schedule reflecting these items is attached. (Attachment A.)

I raised limited issues and questions at the May 17, 2005 PHC, and discussed these further on May 23, 2005. These matters involve initial and preliminary thoughts on issues in this proceeding. These items, along with a few others, are attached. (Attachment B.)

Comments and answers regarding items in Attachment B should assist the Commission in reaching its decision on the matters presented in this proceeding, including whether or not to grant the May 13, 2005 motion for adoption of a settlement. Parties should come to the evidentiary hearings beginning June 6, 2005 prepared to: (1) identify where in the record these comments and answers may be found, (2) provide additional written proposed evidence in response, and/or (3) offer witnesses to address these matters.

IT IS RULED that the revised schedule is in Attachment A. Further, parties should come to the evidentiary hearings beginning June 6, 2005 prepared to address the issues and answer the questions stated in Attachment B. Written responses should be served in advance of June 6, 2005 to the extent feasible.

Dated May 24, 2005, at San Francisco, California.

/s/ BURTON W. MATTSON

Burton W. Mattson
Administrative Law Judge

ATTACHMENT A
REVISED SCHEDULE
(May 17, 2005)
A.04-06-024

Item or Event	Date
Motion for Settlement Filed	5/13/05
Responses due to PG&E Motion to Strike ORA, TURN, AECA	5/16/05
PHC-2	5/17/05
Responses to SierraPine motion to join BART	5/18/05
PG&E and ORA serve comparison exhibit	5/20/05
Opening Brief on BART/SierraPine issues	5/23/05
Evidentiary Hearing at 10 a.m. (status check; updates; preliminary list of exhibits which identifies exhibits (or parts thereof) proposed to be admitted by stipulation and those subject to cross-examination)	5/23/05
Reply Brief on BART/SierraPine issue	5/31/05
Comments on May 13, 2005 Settlement	5/31/05
Parties serve by noon: PHC-3 Statement, Statements of Position, updated exhibit lists; estimates of time for cross-examination	6/2/05
PHC-3 at 10 a.m.	6/3/05
Reply Comments on May 13, 2005 Settlement	6/6/05
Evidentiary Hearing at 9 a.m. (Settlement Panel(s); cross-examination)	6/6/05
Evidentiary Hearing ends	6/10/05
Comparison exhibit filed and served (e.g., 7 days after end of hearing)	6/17/05
Concurrent opening briefs filed and served (e.g., 28 days after end of hearing)	7/8/05
Concurrent reply briefs filed and served (e.g., 21 days after opening briefs)	7/29/05
Projected submission date (e.g., upon receipt of reply briefs)	7/29/05
Proposed decision (PD) filed and served (e.g., 90 days after submission)	10/27/05
Motions for Final Oral Argument (FOA—20 days after PD)	11/16/05
Comments on PD (20 days after PD filed)	11/16/05
Replies to motions for FOA (2 days after motions)	11/18/05
Reply Comments on PD (5 days after comments)	11/21/05
FOA	11/28/05
Commission decision adopted and mailed	12/1/05
Advice Letters filed and served (e.g., 5 days after mailing)	12/6/05
Rates effective	1/1/06

(END OF ATTACHMENT A)

ATTACHMENT B

ISSUES AND QUESTIONS REGARDING MAY 13, 2005 SETTLEMENT IN A.04-06-024

Parties should come to the evidentiary hearings beginning June 6, 2005 prepared to address the following issues and/or answer the following questions by: (1) identifying where in the record comments and answers may be found, (2) providing additional written proposed evidence in response, and/or (3) offering witnesses to address these matters. Questions at the evidentiary hearings, if any, will not necessarily be limited to those in this attachment.

1. Residential rate impact and mitigation

- 1.1. Baseline allowances are proposed to decrease by 3.5% for some customers, and 10% for others. This means more consumption will be charged at a higher rate for these customers. (PG&E-4, page 2A-13.)
- 1.2. Residential class revenues on average increase 2.1% (or more) from current rates. (May 13, 2005 Settlement, Table 2.)
- 1.3. Please estimate the combined effect (of baseline reductions and a class revenue increase) by preparing a bill impact analysis, including an estimate of the number of customers that might be adversely affected.
- 1.4. Please explain whether or not these rate impacts are within just and reasonable bounds.
- 1.5. Even if otherwise just and reasonable, please explain whether or not these rate impacts are likely to cause rate shock if implemented January 1, 2006.
- 1.6. Please describe if there are reasonable ways to mitigate rate shock, if any (e.g., make the rate change for residential customers effective March 1, 2006).

2. Applicant's resource plan

Applicant shall provide a copy of applicant's resource plan or other information that addresses applicant's proposed procurement of resources to meet load growth (from resources either owned by applicant or others). Please provide one paper copy to

Administrative Law Judge Mattson and one to Maria Vanko in the Commission's Energy Division.

3. Frontier line and imported electricity

- 3.1 Applicant shall provide information on the Frontier Line and electricity to be imported over that line which includes, but is not necessarily limited to, the following.¹
- 3.2 Please provide an estimate of the total cost of the Frontier Line and one or more clean coal powerplants to be built in order to transmit electricity over the Frontier Line. (See Press Release dated April 4, 2005: "Gov. Schwarzenegger Joins Three Western States' Governors to Announce Electric Transmission Line Agreement" available on the Governor's web page at: <http://www.governor.ca.gov>.) This may be a point estimate or a range in total dollars, and should be stated separately for:
 - 3.2.1. the Frontier Line
 - 3.2.2. the cost of a clean coal powerplant (use a "generic" plant if a specific plant is not available)
 - 3.2.3. total
- 3.3 Please base the estimate on the cost of service from the Frontier Line and a clean coal plant (i.e., not an estimate of the market price).
- 3.4 To the extent feasible, please also prepare the estimate on a test year 2006 basis (as a point estimate or range) expressed as:
 - 3.4.1. fixed costs in dollars per kilowatt
 - 3.4.2. fixed costs in dollars per kilowatt-year (i.e., annualized separately using a real and a nominal carrying charge rate),
 - 3.4.3. variable costs in cents per kWh and
 - 3.4.4. total costs in cents per kWh (both real and nominal) based on a reasonable capacity factor for a clean coal powerplant.

¹ Applicant should use data already in its possession, or data to which it has reasonably easy and timely access, in preparing a response. The request for information here is not intended to burden Applicant with an expensive and time-consuming effort.

4. Primary purpose of marginal cost in this proceeding

- 4.1 Settling Parties “agree that the primary purpose of determining marginal costs in this proceeding is to establish the cost of providing service by customer class and function and on that cost basis to set the allocation of revenue among customer classes and functions.” (May 13, 2005 Settlement, page 5.)
- 4.2 What role, if any, should marginal cost have in setting the residential Tier 4 rate? Do Settling Parties have an opinion whether or not the Tier 4 rate(s) that will result from the May 13, 2005 Settlement is (are) less than, equal to, or greater than marginal cost of service for Tier 4?

5. Revenue requirement changes

- 5.1. The Settlement provides that revenue requirement changes follow certain guidelines:
 - 5.1.1. For changes before January 1, 2006, Settling Parties agree to:
 - 5.1.1.1. use the RDSA allocation for TACBBA, AEAP and ERB-2 revenue changes (with residential increases only to Tiers 3 and 4)
 - 5.1.1.2. use the general rate case (GRC) Settlement for DWR and ERR/CTC revenue changes (i.e., decreases allocated entirely to the non-residential class)
 - 5.1.2 For GRC changes on January 1, 2006, Settling Parties agree to a combination of sales and rates that result in an increase to the residential class and decreases to non-residential classes.
 - 5.1.3 For other changes on January 1, 2006, that result from 11 proceedings,² Settling Parties make no assumptions

² These are: (1) Advanced Metering Infrastructure Deployment (A.05-03-016), (2) Energy Recovery Bonds, (3) 2005 Cost of Capital (A.05-05-006), (4) 2006 ERR/CTC Forecast Phase, (5) 2006 DWR Revenue Requirement Determination, (6) 2006 Attrition, (7) 2006 Energy Efficiency Portfolio, (8) 2006 Demand Response Programs, (9) 2006 Fixed

Footnote continued on next page

about the direction or size of any revenue requirement changes but agree:

5.1.3.1 increases will be allocated to all groups by the RDSA (with residential increases only to Tiers 3 and 4) and

5.1.3.2 decreases will be allocated only to non-residential groups

5.1.4 For other revenue changes after January 1, 2006 and before the effective date of the Commission's decision in the next PG&E Phase 2 GRC, Settling Parties agree to use the RDSA allocation, unless otherwise ordered by the Commission (or FERC for transmission). All increases to the residential class will be to Tiers 3 and 4.

5.2 To the extent feasible, please provide an estimate (or a range) of the likely total company revenue requirement change that will be proposed, requested or at issue for each of the 11 cases stated in 5.1.3 above. Please state the total for all 11 cases. To the extent feasible, please separately show the increase and the total increase for residential, and the change and the total change to each non-residential class (or a likely range).

5.3 At least one view of a major problem with the qualifying facility "gold rush" in the 1980s, and electricity market restructuring in the 1990s, was that there was no automatic "off ramp" when results got out of an expected or normal range. Is there a possibility that the allocation mechanism used in the May 13, 2005 Settlement for changes in January 2006 could produce a cumulative effect from the multiple changes to residential class revenues that would be unjust and unreasonable? That is, could the residential class increase adopted in rates through the January 2006 GRC change (Items 5.1.1 and 5.1.2 above), plus the other changes in January 2006 (Item 5.1.3 above) cumulatively result in unjust and unreasonable Tier 3 and 4 rates? Could they result in unjust and unreasonable rates to any other customer class? If so,

Transition Amount, (10) transmission rate changes approved by FERC, and (11) 2006 Annual Electric True-Up.

would Settling Parties consider an automatic “off ramp?” For example, might the May 13, 2005 Settlement Agreement provide that changes would automatically be suspended at some level of increase to residential customers (e.g., when Tier 3 and 4 reach the maximums applied during the 2000-2001 energy crisis)? The purpose of the suspension would be to allow parties to assess the effects and make proposals to the Commission on how to proceed.

6. Phase 2 of baseline rulemaking

Settling Parties “agree that shortfalls resulting from programs adopted in Phase 2 of the Baseline Rulemaking (D.04-02-057 in R.01-05-047) shall be recovered from the residential class by function, based on the RDSA method.” (May 13, 2005 Settlement, page 25.) To the extent feasible, please provide an estimate (or range) of the shortfalls, the resulting percentage increase for the residential class, and an estimate of increase to Tiers 3 and 4.

7. EPMC scaling factor for electric master meter discount

- 7.1 Settling Parties “agree that if any Settling Party advocates the use of an EPMC scalar in any future proceeding, that party shall advocate only a scaling to recover the utility’s embedded customer costs for purposes of the master-meter discount.” (May 13, 2005 Settlement, page 26.) Please explain.
- 7.2 Settling Parties “agree not to advocate scaling of the embedded distribution costs in any future proceeding that addresses mobile home park master-meter discounts.” (Id.) Is this prohibition without any time limit, or does it expire when this Settlement otherwise might expire (e.g., with the Commission decision in PG&E’s test year 2007 GRC)?

(END OF ATTACHMENT B)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of Administrative Law Judge's Ruling on Revised Schedule Plus Limited Issues and Questions in Application 04-06-024 by using the following service:

☒ E-Mail Service: sending the entire document as an attachment to all known parties of record who have provided electronic mail addresses.

☒ U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Dated May 24, 2005, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at

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(415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.